

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 EA-06 ISO-00 COME-00 TRSE-00 FMC-01 L-03

CIAE-00 DODE-00 DOTE-00 INR-07 NSAE-00 CG-00 OFA-01

DLOS-04 /042 W

----- 008170

R 231224Z JUN 75

FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 9113

INFO ALL EC CAPITALS 804

AMCONGEN HAMBURG

AMCONGEN ROTTERDAM

AMCONGEN STRASBOURG

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

AMEMBASSY TOKYO

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E.O. 11652: N/A

TAGS: ETRN, EEC

SUBJECT: PROPOSED EC/SWISS INLAND WATERWAY TONNAGE CAPACITY
REGULATIONS

REF: A. STATE 143984

B. EC BRUSSELS 5176

C. EC BRUSSELS 5075

D. EC BRUSSELS A-158, JUNE 10, 1974

E. STATE 64138, APRIL 1, 1974

1. BEGIN SUMMARY: THE MISSION PRESENTED TO EC COMMISSION OFFICIALS
ARGUMENTS AGAINST REQUIRING US SHIP-BORNE BARGES TO CONTRIBUTE TO
THE EC/SWISS SCHEME FOR LAYING UP INLAND WATERWAY BARGES. THEY GAVE
LITTLE WEIGHT TO OUR POINTS, CLAIMING THAT THERE WAS NO DISCRIMINA-
TION, MAINTAINED THAT US BARGES WOULD BENEFIT FROM THE SYSTEM, AND
STATED THAT THE US WAS REALLY SEEKING PREFERENTIAL TREATMENT FOR
SHIP-BORNE BARGES. THEY DID NOT BELIEVE THE TAX WOULD IMPOSE A
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BURDEN OF THE SORT THAT WOULD IMPAIR THE COMPETITIVITY OF US

SHIP-BORNE BARGES VIS-A-VIS LAND TRANSPORT. END SUMMARY.

2. ON JUNE 20, A MISSION OFFICER MET WITH EC COMMISSION OFFICIALS FROM EXTERNAL AFFAIRS (LOERKE), TRANSPORTATION (FISCH), AND LEGAL SERVICES (SOHIER). AS INSTRUCTED IN REF A, WE PROVIDED THEM WITH AN INFORMATION COPY OF THE US NOTE TO THE ECE SECRETARIAT ON ECE RESOLUTION NO. 15. WE ALSO PRESENTED THE ARGUMENTS CONTAINED IN REFS A AND E AGAINST THE LEVYING OF TAXES ON US SHIP-BORNE BARGES (LASH/SEABEE) AS A CONTRIBUTION TO THE EC/SWISS SCHEME FOR THE TEMPORARY LAYING UP OF INLAND WATERWAY BARGES. BELOW ARE SET OUT THE REACTIONS OF THE COMMISSION OFFICIALS TO OUR MAIN POINTS, WHICH ARE SIMILAR TO THOSE REPORTED IN REF D.

3. AN UNFAIR BURDEN: WE ARGUED THAT IT WAS UNFAIR TO PLACE A FINANCIAL BURDEN ON US SHIP-BORNE BARGES TO SOLVE AN OVER-CAPACITY PROBLEM FOR WHICH THEY WERE NOT RESPONSIBLE AND WHICH WAS, IN FACT, CAUSED BY RAIL AND ROAD TRANSPORTATION. THE COMMISSION OFFICIALS RESPONDED THAT THE ISSUE WAS NOT THE CAUSE OF THE DIFFICULTY BUT THE EQUITY OF THE TAX SYSTEM. THE TAX WAS ON VESSELS USING THE INLAND WATERWAY SYSTEM WHICH ADDED TO TONNAGE CAPACITY. ALL BARGES, REGARDLESS OF NATIONALITY, WOULD BE TREATED IN EQUAL FASHION AND THEREFORE NO DISCRIMINATION WAS INVOLVED. COMMISSION OFFICIALS STATED THAT WE SEEMED TO BE ASKING FOR DISCRIMINATION IN FAVOR OF US SHIP-BORNE BARGES BY EXEMPTING THEM FROM A TAX THAT OTHER BARGES OF A SIMILAR SIZE WOULD HAVE TO PAY. JUST BECAUSE SHIP-BORNE BARGES WERE A MODERN FORM OF TRANSPORTATION, THAT THEY ADMITTED SHOULD BE ENCOURAGED, IT DID NOT FOLLOW THAT THEY SHOULD BE RELIEVED OF TAXES ASSESSED ON OTHER BARGES.

4. "DOMESTIC ECONOMIC" PROBLEMS: WE ARGUED AS PER REF A, THAT FOREIGN FLAG VESSELS SHOULD NOT BE TAXED TO SOLVE "DOMESTIC" ECONOMIC PROBLEMS, WHICH WAS ESSENTIALLY WHAT THE SCHEME WAS INTENDED TO DO. THE COMMISSION OFFICIALS REJECTED THIS POSITION, AS APPLIED TO THE SHIP-BORNE BARGE SITUATION ON TWO GROUNDS. FIRST, ONCE VESSELS ARE IN NATIONAL WATERWAYS THEY ARE SUBJECT TO NATIONAL LAW AND LIMITED OFFICIAL USE

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THE ONLY ISSUE IS DISCRIMINATION. IF CHARGES PLACED ON THEM ARE NO DIFFERENT FROM THOSE APPLIED TO COMPARABLE LOCAL VESSELS OR THOSE OF OTHER FLAGS, THERE IS NO CAUSE FOR COMPLAINT. SECONDLY, ALTHOUGH US SHIP-BORNE BARGES MAY NEVER BE "LAID-UP" AND RECEIVE PAYMENTS FOR THEIR INACTIVITY, THEY WILL, IN FACT, PROFIT BY THE LAYING-UP SCHEME BECAUSE AS FREIGHT RATES WILL BE STABILIZED ON THE INLAND WATERWAYS THEIR FREIGHT CHARGES CAN BE HIGHER AND

MORE FREIGHT WILL BE AVAILABLE TO THEM. THE OFFICIALS EMPHASIZED THAT THE OBJECTIVE OF THE SCHEME IS NOT TO PAY OFF OWNERS OF OBSOLETE BARGES BUT RATHER TO STABILIZE INLAND WATERWAY FREIGHT RATES BY ELIMINATING EXCESS CAPACITY.

5. COMPETITION FROM ROAD AND RAIL TRANSPORTATION: WE ARGUED THAT THERE WOULD BE DISCRIMINATION AGAINST SHIP-BORNE BARGES VIS-A-VIS LAND TRANSPORT. THE OFFICIALS REPLIED THAT IF THE TAX PLACED SHIP-BORNE BARGES AT A DIS-ADVANTAGE WITH LAND TRANSPORT, IT EQUALLY PLACED TRADITIONAL BARGES AT A DISADVANTAGE, WHICH AGAIN, WAS WHERE THE EQUITY OF THE TAX HAD TO BE MEASURED. THE OFFICIALS NOTED, HOWEVER, THAT THE EC WISHED TO STRENGTHEN INLAND WATERWAY TRANSPORT IN RELATION TO LAND TRANSPORT--WHICH WAS A PURPOSE OF THE SCHEME, THAT THE TAX WOULD BE LOW SO AS NOT TO MAKE A COMPETITIVE DIFFERENCE VIS-A-VIS LAND TRANSPORT, AND THAT AT PRESENT THERE WERE NO TAXES AND FEES ON THE USE OF THE INLAND WATERWAY SYSTEM IN ORDER TO HELP BARGES COMPETE WITH LAND TRANSPORT.

6. THE COMMISSION OFFICIALS DOUBTED THAT USG RETALIATION WAS A REALISTICALLY-JUSTIFIABLE POSSIBILITY OR THAT US SHIPPING INTERESTS COULD MAINTAIN TO THE FEDERAL MARITIME COMMISSION THAT THEY WERE DISCRIMINATED AGAINST OR UNJUSTLY DISADVANTAGED.

7. AFTER RESPONDING TO OUR ARGUMENTS THE COMMISSION OFFICIALS NOTED THAT BY SETTING A POST-TRANSITION THRESHOLD AT 400 METRIC TONS ON THE SIZE OF BARGES THAT WOULD HAVE TO CONTRIBUTE (SEE REFS B AND C), US LASH BARGES WOULD EVENTUALLY BE EXEMPTED. GREENWALD
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